

EXECUTIVE SECRETARIAT

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Remarks:

3 papers.

Executive Secretary

8/11/83

Date

United States Department of State

Washington, D.C. 20520

Executive Registry
83-40396

TO:

OVP - Mr. Donald P. Gregg
NSC - Mr. Robert Kimmitt
Agriculture - Mr. Raymond Lett
AID - Mr. Mark Edelman
CEA - Mr. William Niskanen
CIA - [redacted]
Commerce - Mrs. Helen Robbins
Defense - Col. John Stanford
Energy - Mr. William Vitale
JCS - Lt. Dennis Stanley
OMB - Mr. Alton Keel
OPB - Mr. Edwin Harper
OSTP - Dr. George Keyworth
Transportation - Mr. Logan H. Sallada
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USTR - Mr. Dennis Whitfield
DEA - Mr. John Warner
EXIM - Mr. Len Wickett
OPIC - Mr. Michael McCone

SUBJECT President's Trip to East Asia: Sub-IG Meeting on
Indonesia/ASEAN, August 11, 3:00 PM

Enclosed are the trip-oriented issue papers that I would like
to discuss at the meeting on Thursday.

John Monjo
John Monjo
Deputy Assistant Secretary of State
East Asian and Pacific Affairs

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INDONESIA: DEFENSE INDUSTRIAL COOPERATION

ISSUE

Providing new impetus to our Defense Industrial Cooperation Program.

Where Do We Stand:

Last year, we signed a Defense Industrial Cooperation (DIC) agreement with Indonesia, promising sympathetic consideration of Indonesian requests for release of US defense-related industrial technology and facilitative assistance in approaching US commercial holders of such technology. The GOI has shown little interest in the few projects which have been developed thus far.

Where Do We Want to End Up:

We want to put some substance into the agreement by coming to terms on some projects. At the same time we do not want to fuel the GOI's inflated expectations that DIC will lead to large-scale USG-subsidized technology transfers.

Steps to Take:

DOD, with support from other agencies, could examine the possibility of developing appropriate projects involving defense-related industrial technology.

Presidential Involvement:

This would be an initiative well worth mentioning in a Presidential statement.

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INDONESIA: EXPORT PROMOTION

ISSUE

Assistance for Indonesia's export promotion efforts.

Where do we stand:

A major Indonesian development priority over the next few years is expansion of its non-oil exports. We have several on-going programs of technical assistance in this field including quality control for shrimp, support for improving the GOI's system of weights and measures and assistance to upgrade the Indonesian customs service.

Where do we want to end up:

Given the importance of this issue to Indonesia, it would be appropriate to try and put together a small package of new proposals designed to assist the government overcome institutional and other obstacles to increased non-oil exports.

Steps to Take:

AID, with support from other agencies, could examine the possibility of developing a small technical assistance program in support of Indonesia's non-oil export promotion efforts.

Presidential Involvement:

This would be an initiative well worth mentioning in a Presidential statement.

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INDONESIA: INVESTMENT PROMOTION

ISSUE

Give impetus to the promotion of US investment in Indonesia.

Where do we stand:

During Soeharto's state visit in October 1982, the President said the US would assist in promoting investment in Indonesia. OPIC is sponsoring an investment mission to Indonesia in early December 1983 as a follow-up to this pledge. A full range of promotional activities will precede this event to recruit sound investment partners, with a particular view to small and medium size industries and US companies not presently active in Indonesia. Also, Commerce is considering a bilateral memorandum of understanding (MOU) to link US and Indonesian promotion efforts in a formal way.

Where do we want to end up:

Reaffirmation of the OPIC mission's importance and, if possible, conclusion of an MOU on joint investment promotion.

Steps to Take:

Continue interagency coordination of the OPIC mission in the Commercial Interests Working Group (CIWG) for Indonesia. Prepare draft MOU and propose it to the Indonesians.

Presidential Involvement:

The President should reaffirm the importance of US investment, private sector relationships, and the OPIC mission in an appropriate public statement. If the MOU is completed, the President should also note it favorably.

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INDONESIA: DEVELOPMENT AND P.L. 480 ASSISTANCE

ISSUE

What can we tell the Indonesians about our plans for future development assistance (DA) and P.L. 480 Title I levels?.

Where do we stand:

Planned DA levels stand at \$64 million for FY 84 and \$67 million for FY 85. P.L. 480/Title I assistance for FY 84 is \$30 million and, in light of recent droughts and increased food import requirements, the Indonesians would welcome increased Title I assistance for FY 85.

Where do we want to end up:

With sufficient levels of DA and P.L. 480/Title I assistance for program needs, to meet humanitarian and food reserve requirements, and to reassure the Indonesians of continuing USG support.

Steps to Take:

Consider increased DA and P.L. 480/Title I levels.

Presidential Involvement:

The President could reassure President Soeharto that the USG wants to be responsive to development and food assistance requirements, especially in view of current Indonesian balance of payments difficulties.

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INDONESIA: TAX TREATY

ISSUE

Negotiation of a tax treaty with the Government of Indonesia.

Where do we stand:

Negotiations on a bilateral tax treaty took place in the 1970s but foundered on the issue of the definition of the Indonesian archipelago. An attempt was made to revive the negotiations in 1980, but this attempt foundered on the issue of tax sparing. We have proposed that the USG and GOI undertake simultaneous but separate reviews of the existing draft treaty with a view to identifying issues that need to be negotiated. The GOI is now considering this suggestion.

Where do we want to end up:

With a satisfactory bilateral tax treaty, if possible to be signed at the time of the President's visit.

Steps to take:

If Indonesia agrees to this procedure, we should move to conduct our internal review of the draft treaty and then try and set up an early round of negotiations with the GOI, perhaps as soon as late September.

Presidential Involvement:

The President need not get directly involved in the negotiations. The President will want to say something positive about the treaty during his visit, depending on the state of play of the negotiations.

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INDONESIA: SHIPPING

ISSUE

How to deal with restrictive GOI regulations on shipping.

Where do we stand:

We have been able to work out ad hoc arrangements with Indonesia on the implementation of several restrictive shipping regulations, including port access, issued in early 1982. We have an effective dialogue with the senior GOI official responsible, but from time to time the operations of US shipping lines are disrupted by bureaucratic decisions which generally have been overcome. Thus far, the GOI has not pursued policies which bring them in direct conflict with US law.

Where do we want to end up?

Continue to deal with the GOI in a constructive climate so as to promote the interests of US shipping lines and to prevent GOI imposition of the UNCTAD Liner Code in our bilateral trade.

Steps to Take:

Continue to monitor carefully Indonesian implementation of the maritime regulations, taking problems up officially with the GOI as they arise. Continue to make known as appropriate USG opposition to cargo sharing arrangements, the UNCTAD Liner Code, and shipping restrictions which are contrary to U.S. law and policy.

Presidential Involvement:

Unless there is some unforeseen development or a drastic tightening up on the GOI's part, there would be no need for a Presidential statement or other involvement in this issue. Dealings on this subject should remain at the sub-cabinet level.

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Indonesia: Advanced Fighter Aircraft

Issue:

How to respond to Indonesian queries as to USG willingness to sell them an advanced fighter aircraft?

Where do we stand

In 1982, the GOI was actively considering the purchase of an advanced fighter aircraft. The Indonesian Air Force and other military officials favored the F-16/F-100 version, which is not the standard export model, while Research and Technology Minister Habibie favored the F-20 because it was felt that a co-production arrangement could be made with Northrop. However, in late 1982, the issue was put on the back burner because of Indonesia's balance of payments difficulties.

Where do we want to end up:

Once the Indonesians have made up their mind on the aircraft they want, we should be in a position to respond favorably.

Steps to take:

No action at present.

Presidential involvement:

The President may have to respond if President Soeharto personally seeks assurance on the provision of an advanced fighter aircraft.

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INDONESIA: HUMAN RIGHTS

ISSUE

Expression of our concern over the human rights situation in Indonesia.

Where do we stand:

In recent months there have been a series of "mysterious killings", (summary executions by security forces of hundreds of suspected criminals) in Indonesia. The embassy has expressed our concern over these killings to the GOI at a variety of levels on numerous occasions. Should these killings continue, they may well create obstacles for US security assistance, due to provisions of the Foreign Assistance Act. In addition there is continuing concern over the situation in East Timor, where fighting since 1974 between GOI force and the Fretilin independence forces has resulted in a variety of humanitarian concerns. Embassy officers make regular visits to the province and discuss the situation with the government and the international agencies working there.

Where do we want to end up:

With an end to the "mysterious killings" and continued improvement of the situation in East Timor.

Steps to Take:

If the "mysterious killings" persist, we will continue to raise the subject with the GOI through our Embassy and with the Indonesian Embassy here and should express USG concern at some sub-Presidential level during the visit. Depending on the then current situation, we may wish to commend the GOI on progress achieved in East Timor.

Presidential Involvement:

Barring some unforeseen development, we would not expect the President to raise this issue.

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INDONESIA: SCIENTIFIC COOPERATION

ISSUE

Improve scientific and technology cooperation with Indonesia.

Where do we stand:

The US-Indonesian science and technology agreement provides a framework for increased cooperation with the GOI, and AID is funding a full-time US science adviser on the staff of Research and Technology Minister Habibie. Discussions are being held in Jakarta among Habibie, his staff, the Embassy and USAID to identify possible new S&T initiatives appropriate for agreement and mention during the President's visit. Also, White House Science Adviser Keyworth plans to visit Jakarta in September and, in early October, the National Academy of Sciences (NAS) is sponsoring a mixed public/private sector symposium on scientific cooperation relating to specific Indonesian development needs.

Where do we want to end up:

With one or more well-defined and achievable new initiatives within the framework of the S&T cooperation agreement.

Steps to Take:

We are waiting for Embassy/USAID recommendations on the discussions with Minister Habibie. Any program recommendations should be pursued expeditiously with the agencies concerned. Plans for the NAS symposium should be monitored for possible additional program initiatives.

Presidential Involvement:

The President should reiterate his statement of October 1982 favoring joint cooperation in science and technology. The President may wish to announce any new initiatives.

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INDONESIA: FMS LEVELS

ISSUE

Explanation of our plans for future FMS funding levels.

Where do we stand:

We have sought to maintain an upward trend in FMS credit levels for Indonesia. In FY 82, we provided \$40 million in FMS credits, and in FY 83 we initially recommended \$50 million. Budgetary strictures forced a cut in this level to \$20 million. We are seeking a \$5 million supplemental for FY 83. The FY 84 budget contains a request for \$50 million. The Indonesians regard our FMS program very highly and were disappointed in the FY 83 cut.

Where do we want to end up:

We want to reassure the Indonesians that the FY 83 cut in FMS was an aberration and does not represent a deliberate policy decision to establish annual FMS funding levels for Indonesia which are substantially below the FY 82 level.

Steps to take:

Continue efforts by the administration to obtain a FY 83 supplemental and full funding for our FY 84 appropriations request.

Presidential Involvement:

The President will want to reassure the Indonesians, both privately and publicly, of our intention to continue to provide stable levels of FMS funding for Indonesia.

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MESSAGE NO. 917 CLASSIFICATION SECRET No. Pages 11FROM: MIKE MICHALAK EA 632-2146 6205
(Officer name) (Office symbol) (Extension) (Room number)MESSAGE DESCRIPTION Materials for Sub-IG meeting on Indonesia/ASEAN,August 11, 3:00 p.m.TO: (Agency)DELIVER TO:ExtensionRoom No.

OVP -

Mr. Donald P. Gregg

NSC

Mr. Robert Kimmitt

CEA

Mr. William Niskanen

395-5046

25X1 CIA

Commerce

Mrs. Helen Robbins

Defense

Col. John Stanford

FOR:

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Page 2 of 2
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OPD	Mr. Danny Buggs	456-6252	
OSTP	Mr. Edwin Harper	395-5860	
Transportation	Mr. Michael Strosio		
USTR	Mr. Logan H. Callado		
Treasury	Mr. Dennis Whitfield		
	Mr. David Pickford		

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